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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

AT&T

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BY HAND

June 18, 2001

Magalie R. Salas, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: CC Docket No. 00-251
In the Matter of Petition of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. for Arbitration of an Interconnection Agreement With Verizon Virginia, Inc. Pursuant to Section 252(e)(5) of the Telecommunications Act of 1996

Dear Ms. Salas:

Pursuant to the Commission's *Public Notice* DA 01-270 (released February 1, 2001) and the Arbitrator's *Letter Ruling* (March 26, 2001), enclosed for filing in this proceeding are an original and four copies of AT&T's Reply to New Issues Raised by Verizon Virginia, Inc. in Response to the Arbitration Petition of AT&T.

This letter, with attachments, is being served today on Verizon-Virginia, Inc. and all parties electronically and by first class postage.

Sincerely yours,

Mark A. Keffer

cc: Service List

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Petition of AT&T Communications of Virginia, Inc., Pursuant to Section 252(e)(5) of the Communications Act, for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon-Virginia, Inc.	)	**CC Docket No. 00-251**

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of June, 2001, a copy of the foregoing Reply of AT&T to New Issues Raised by Verizon Virginia, Inc. in Docket CC No. 00-251 was hand delivered or sent via overnight delivery to:

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Mark A. Keffer

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Petition of AT&T Communications	)	
of Virginia, Inc., Pursuant	)	
to Section 252(e)(5) of the	)	
Communications Act, for Preemption	)	**CC Docket No. 00-251**
of the Jurisdiction of the Virginia	)	
State Corporation Commission	)	
Regarding Interconnection Disputes	)	
with Verizon-Virginia, Inc.	)	

REPLY OF AT&T COMMUNICATIONS OF VIRGINIA, INC., TCG VIRGINIA, INC., ACC NATIONAL TELECOM CORP., MEDIAONE OF VIRGINIA, AND MEDIAONE TELECOMMUNICATIONS OF VIRGINIA, INC. ("AT&T") TO NEW ISSUES RAISED BY VERIZON VIRGINIA, INC. IN RESPONSE TO THE ARBITRATION PETITION OF AT&T

June 18, 2001

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Petition of AT&T Communications of Virginia, Inc., Pursuant to Section 252(e)(5) of the Communications Act, for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon-Virginia, Inc.	)	**CC Docket No. 00-251**

REPLY OF AT&T COMMUNICATIONS OF VIRGINIA, INC., TCG VIRGINIA, INC., ACC NATIONAL TELECOM CORP., MEDIAONE OF VIRGINIA, AND MEDIAONE TELECOMMUNICATIONS OF VIRGINIA, INC. ("AT&T") TO NEW ISSUES RAISED BY VERIZON VIRGINIA, INC. IN RESPONSE TO THE ARBITRATION PETITION OF AT&T

INTRODUCTION

Verizon has submitted twenty-seven "new" issues that involve AT&T, but in many instances these "new" issues are nothing more than recharacterizations of ones AT&T has already raised, only this time with Verizon's spin.

Verizon's network architecture issues certainly fall into that category. For instance, Verizon's Issue VII-1 questions AT&T's position regarding Points of Interconnection to indicate why Verizon should not bear its costs for transport to and from those points. This issue is not new; AT&T, Cox and WorldCom all raised it as Issue I.1. Similarly, Verizon also creates "new" issue VII-3 regarding the definition of Point of Interconnection, an issue which, again, is already addressed in

AT&T/Cox/WorldCom Issue I.1.[1] Likewise, Verizon presents as a "new" issue the question of whether definitions from the tariff or the interconnection agreement should control. Here again, this is not new, but rather is part and parcel of Issue III-18 which AT&T and WorldCom raised regarding the interplay between tariffs and interconnection agreements.

Set forth below are AT&T's responses to Verizon's new issues, including AT&T's responses to Verizon's various second bites at the same apples:

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[1] *See* Petition of AT&T Communications of Virginia, Inc., TCG Virginia, Inc. ACC National Telecom Corp., Mediaone of Virginia and Mediaone Telecommunications of Virginia, Inc. for Arbitration of an Interconnection Agreement with Verizon Virginia, Inc., CC Docket No. 00-251 at 30 (April 23, 2001) ("AT&T Arbitration Petition").

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ISSUE VII-1 Should AT&T be allowed to circumvent over a year's worth of negotiations by inserting language on Network Architecture issues that was never discussed by the Parties?

AT&T Reply:

Verizon's Supplemental Statement suggests, wrongly, that AT&T has somehow changed its position on transport obligations for interconnection traffic because it has submitted new contract language that does not use Verizon's proposed term "IP".[2] AT&T's position has been consistent throughout the negotiations. From the beginning, AT&T (as well as Verizon, for that matter) has recognized that answers to three critical questions will determine how physical interconnection will occur: (1) where will the parties interconnect their networks (2) how will the costs of facilities used to exchange traffic between the parties be allocated between the parties; and (3) what methods will be available to each party for the interconnection of the respective networks.

To drive efficient interconnection decisions, AT&T proposed from the very beginning that each party is in the best position to determine the point of interconnection at which to deliver its originating traffic to the other party as long as the originating party was willing to pay for transport to reach that point of interconnection.[3] Further, AT&T also proposed (and Verizon concurred) that each party would utilize one-way trunks. Therefore, each party is free to independently choose the point of interconnection that

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[2] Verizon's Supplemental Statement of Unresolved Issues, CC Docket No.00-251 at 27 (May 31, 2001) ("Verizon Supplemental Statement").

[3] The Act clearly does not provide Verizon with the right to unilaterally designate a POI. While Section 251(a) extends to to all LECs "the duty to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers, § 251(c)(2) imposes the additional duty on ILECs, such as Verizon, to interconnect "at any technically feasible point" upon request. AT&T's proposed contract language enables Verizon to choose a POI subject to mutual agreement, with a default right to designate the applicable AT&T end office as a POI. *See* AT&T Proposed ICA Sch. IV § 1.3.

best serves that carrier's needs. UnderAT&T's proposal, the point of interconnection chosen by one carrier does not prejudice the point of interconnection chosen by the other.

These principles have always dictated AT&T's negotiation proposals and were always the focus of each discussion on network architecture between the Parties over the many months in which the Contract has been negotiated. These principles continue to dictate AT&T's Contract proposal today.

While AT&T attempted to negotiate in good faith language that included Verizon's term "IP" (a term which never appears in the Act), neither Party has changed its fundamental position on where each party's respective "IP" must be located, a fact confirmed by the differing draft Interconnection Agreements filed with this Commission. Indeed, although AT&T has been willing to include the term "IP" as an accommodation to Verizon, AT&T would not, and will not, agree to apply that term in a manner that abrogates AT&T rights under the Act, as Verizon would have it do. AT&T has never wavered from that stance in any of its discussions with Verizon.

Recent actions at the FCC have made it even clearer that there is no basis for applying the term "IP" in an interconnection agreement. During the time of the negotiation, and in fact from the time this arbitration was filed itself, the FCC has clarified the respective responsibilities that ILECs and CLECs have to pay for the transport of their own originating interconnection traffic.[4] Given these clarifications and the fact that these issues remained open and unresolved between the Parties, AT&T's

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[4] *Notice of Proposed Rulemaking*, CC Docket No. 01-92, In the Matter of Developing a Unified Intercarrier Compensation Regime, at § 70 (April 27, 2001); *Memorandum and Order*, FCC 01-29, Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-region, interLATA Services in Kansas and Oklahoma, CC Docket No. 00-217 (January 22, 2001)("SBC Kansas and Oklahoma Order").

proposals in this arbitration are both appropriate and reasonable. AT&T crafted language that tracked the FCC's recent clarifications and invited Verizon to follow suit. Verizon did not.[5] Instead, Verizon continues push its "IP" concept, even though the term has no basis in the Act, and no basis in any FCC rule or regulation, order or decision.

In addition to its complaints regarding the POI and IP issue, Verizon also points to several other network architecture issues that it claims should be rejected by the Commission without consideration because, Verizon claims, they represent new issues that Verizon either does not understand or that Verizon disagrees with. As will be pointed out below, these "new" issues are either not new, represent a reorganization of the section in order to provide clarity on a particular issue, or simply reflect a characterization of AT&T's position on a matter that remains unresolved between the Parties.

Intra Building Cable Interconnection

Verizon complains that it does not understand AT&T's language relating to intra-building interconnection, a method of interconnection where both parties have a presence within a building and thus can interconnect using intra-building cable.[6] It also notes a concern that AT&T's language provides AT&T with preferential treatment.

At the outset, it must be noted that this language does not reflect a change in AT&T's original position that it has the right to interconnect at any technically feasible

[5] Verizon's claim that this language has not been negotiated between the Parties rings hollow. The issues have been on the table for months and, just to state the obvious, AT&T remains willing to continue discussing language on this issue, whether it be the language AT&T filed in this arbitration or something Verizon proposes that is consistent with the Act.

[6] Verizon Supplemental Statement at 29.

point. In fact, even the earliest AT&T draft sent to Verizon in 1999 included language relating to this issue. Subsequently, AT&T changed the language in response to Verizon's request to make the language more clear, and AT&T and Verizon last discussed this issue on December 7, 2000.

AT&T's proposal on this point is fully consistent with the Act. Incumbent LECs must interconnect "at any technically feasible point within the [requesting] carrier's network,"[7] which, presumably, includes interconnection via coaxial cable.

AT&T's proposal is also nondiscriminatory. Nothing in the proposed language that would prohibit another CLEC from interconnecting via coaxial cable. For example, where a CLEC occupies space within 655 feet of the Verizon POI, that CLEC could, consistent with the Act, run a cable from its facilities to the Verizon network and interconnect without the need to purchase an entrance facility from Verizon.

Accordingly, AT&T's proposed contract language on interconnection via cable should be included in the ICA.

Transition Costs

Verizon asserts that AT&T's proposed language (Schedule IV Part B § 3, relating to transition costs) will somehow require Verizon to bear the cost of AT&T's new network architecture when it changes from one design to another.[8] This is not the intent of the language, and AT&T did not suggest otherwise when this issue was discussed on December 7, 2000.

AT&T certainly has no incentive to physically rearrange existing facilities. Physical conversions place considerable costs on both parties. Before incurring those

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[7] 47 U.S.C. § 251(c)(2)(B) (West 1991 and Supp. 2000).

costs, AT&T would have an incentive to negotiate with Verizon to address its collocation exhaust issues in a way that did not impact its current interconnection trunks and which minimized "transition" costs for both Parties. AT&T's proposed transition language[9] allows for this type of coordination between AT&T and Verizon. At the same time, it provides that Verizon would not be tied to the existing physical arrangements. Thus, AT&T's proposal is less disruptive to the network, requires fewer engineering and operations resources, and therefore is less costly for both Parties.

Verizon confuses the conversion of a new trunking arrangement with the cost allocation issues. AT&T does not, as Verizon suggests, expect Verizon to pay all of the nonrecurring charges when Verizon builds a new facility as part of a transition plan for converting two-way trunks to one-way trunks.[10] Rather, AT&T has proposed that AT&T and Verizon each bear their own non-recurring charges.[11] So, for example, when AT&T sends an ASR to Verizon to rearrange facilities, Verizon applies standard charges for working that order.

To clarify this issue, AT&T would agree to add to its proposed Contract to explicitly state, "The Party requesting transition shall pay any applicable non-recurring charges to the other Party for any trunks that are converted from the existing interconnection arrangements." This should address Verizon's concerns on this point.

Verizon also objects to the use of the term "grandfathered" in AT&T's proposed Contract language and states that if Parties are going to transition to a new architecture,

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[8] Verizon Supplemental Statement at 29.

[9] *See* Sch. IV § 3.2.

[10] *See* Verizon Supplemental Statement at 29.

[11] *See* AT&T Contract Sch. IV, § 3.2.3.

they should mutually agree and not grandfather indefinitely.[12] Verizon's concerns are misplaced. AT&T's proposal provides for mutual agreement and does not require old arrangements to be grandfathered indefinitely. Specifically, AT&T has proposed that AT&T and Verizon may mutually agree that specific two-way trunks will be retained—or "grandfathered"—even if one party has requested that other two-way trunks be converted to a one-way architecture.[13] This will enable both parties to minimize transition costs by leaving two-way trunks in place where the parties agree it is beneficial to do so. Moreover, so that either Party can revisit its "grandfather" decisions as situations change, AT&T would agree to revise its proposed Contract language to explicitly provide either Party, not just AT&T, would be able to request that two-way trunks be converted to one-way trunks, provided that these subsequent requests follow the same process as initial requests.[14] With this revision, all of Verizon's concerns on this issue will be adequately addressed by AT&T's proposed Contract language.

AT&T's proposed language excludes "exchange access trunks" from the conversion process. Verizon objects to the inclusion of the term "exchange access" because it claims that the term has not been defined.[15] That claim is more than a bit curious, however, given that Verizon proposed that "Access Toll Connecting Trunks shall be two-way trunks,"[16] and that its own proposed Contract states that "Access Toll Connecting Trunks shall be used *solely for the transmission of Exchange Access*"

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[12] *See* Verizon Supplemental Statement at 30.

[13] *See* Proposed Contract of AT&T at Sch. IV, § 3.2.1.

[14] AT&T Proposed Contract Sch. IV, § 3.2.2.

[15] Verizon Supplemental Statement at 30.

[16] *See* Verizon proposed Contract § 6.2.3.

(emphasis added).[17] Given that both AT&T and Verizon propose that exchange access trunks remain two-way, this should not be an issue between the Parties.

Competitive Tandem Service

Verizon also curiously raises AT&T's Competitive Tandem Services language as a Supplemental Issue, even though it substantively addresses the issue specifically in its Response to Issue V-1. This issue, as Verizon notes, has been the subject of discussion between the Parties but was never resolved.[18] AT&T refers the Commission to its arguments and support for its language set forth in its Arbitration Petition at 40-44.

Trunk Groups

Verizon is simply wrong to claim that AT&T's Part C of Schedule 4 (relating to trunk groups) somehow circumvents the negotiations process.[19] There is virtually no substantive difference between the language AT&T shared with Verizon last year and the version that AT&T shared with Verizon earlier this year and submitted to the Commission for arbitration. While AT&T did re-organize the terms of this section concurrently with the re-written section on POI, there were no substantive changes. Rather, Part C of Schedule 4 was simply reorganized to conform more closely to the structure of Verizon's model contract. AT&T's earlier version had the specifications for required trunk groups scattered across the document, but in the later version the information was collected together into a single sub-section, organized in the same manner as Verizon's proposed contract language. This non-substantive reorganization enables the negotiators and arbitrators to more readily identify any differences between

[17] Verizon proposed Contract § 6.2.2.

[18] Verizon Supplemental Statement at 30.

[19] Verizon Supplemental Statement at 30.

the terms of two documents. Both Parties agree that the establishment of certain distinct trunk groups is necessary to a workable network interconnection arrangement. Accordingly, Verizon's request that the Commission not address AT&T proposed terms under Schedule 4 is without merit and does nothing to promote the resolution of the outstanding network architecture issues.

ISSUE VII-2 Should the Parties' interconnection agreement reflect their recent agreement on Demand Management Forecasts?

AT&T Proposed § 10.4 of the Verizon/AT&T Agreement.

AT&T Reply:

Verizon claims that on March 27, 2001, the Parties agreed upon language relating to Demand Management Forecasts.[20] AT&T's records do not reflect such an agreement. Rather, as demonstrated below, AT&T would not have agreed to such language.

Section 10.4, dealing with demand forecasts, is not a matter related to network interconnection. Under this provision, proposed by Verizon, AT&T would be required to forecast its requirements of unbundled network elements and their usage. AT&T does not agree that it should be obligated to forecast UNEs and it specifically addressed this issue in its Petition.[21] Even if AT&T would agree to such a provision, AT&T would require that the provision be placed in an attachment to the agreement that deals with UNE matters. In no way should forecasts of UNE usage be confused with issues associated with the physical interconnection of the Parties' networks.

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[20] Verizon Supplemental Statement at 31.

[21] *See* AT&T Petition at 57-60.

ISSUE VII-3 How should the Parties Define "Interconnection Points" ("IP") and "Points of Interconnection" ("POI")?

AT&T Proposed §§ 4.1.2 - 4.1.3 of Verizon/AT&T Agreement.

AT&T Reply:

This is virtually the same issue as discussed in ISSUE VII-1 above and, as noted there, is a tied to the common thread that runs through almost all of the network architecture issues. As noted above, AT&T rejects Verizon's assertion that the Parties ever came to an agreement on use of the terms POI and IP. There is, and has been since the inception of negotiations, a fundamental disagreement on the substance of these terms and the implications associated with the use of these terms.

Verizon attempts to sever from "POI" the financial responsibility of each carrier to deliver its originating traffic to that point through Verizon's use of the term "IP" in its Contract language. As AT&T demonstrates in its Petition, the ability to determine the POI is inextricably linked to the responsibility to pay for the transport to that point.[22] Verizon's insistence on maintaining the term "IP" in its proposed Contract language is nothing more than its attempt to distract the Commission from following clear precedent establishing that determination of the POI is synonymous with the determination of financial responsibility.

First and foremost, the Act could not have been more direct or unambiguous in providing that a carrier may not transfer the financial responsibility for terminating its own originating traffic to the terminating carrier. Section 252(d)(2)(A) of the Act provides:

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[22] *See* AT&T Arbitration Petition at 3–23.

> [A] state commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless . . . such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier."[23]

The Act clearly dictates that each carrier shall be permitted to "mutual" and "reciprocal" recovery of costs related to terminating calls originated on another carrier's network. Any payment to Verizon for traffic terminated on AT&T's network would be in direct violation of AT&T's statutory right to be compensated for such calls in a "reciprocal" manner.

Verizon claims that AT&T's "errant use of the term POI" will not make Verizon whole.[24] On the contrary, under AT&T's proposal, AT&T would be financially responsible for providing transport facilities for the traffic originating on AT&T's network between the originating AT&T switch and the POI. Additionally, AT&T would pay Verizon all applicable charges under the reciprocal compensation regime for the transport and termination of such traffic once the traffic is passed to Verizon. Therefore, AT&T is agreeing that it will take full responsibility for the origination, transport, and termination of its originating traffic. In return, AT&T proposes that Verizon have comparable obligations.

AT&T did not conceive of the financial aspects associated with a POI, the FCC did. In paragraphs 1039 and 1040 of the *Local Competition Order* the FCC defines "transport" and "termination" respectively.

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[23] 47 U.S.C. §252(d)(2)(A).

[24] Verizon Supplemental Statement at 32.

> [1039] We define "transport," for purposes of section 251(b)(5), as the transmission of terminating traffic that is subject to section 251(b)(5) from the interconnection point between the two carriers to the terminating carrier's end office switch that directly serves the called party (or equivalent facility provided by a non-incumbent carrier).
>
> [1040] We define "termination," for purposes of section 251(b)(5), as the switching of traffic that is subject to section 251(b)(5) at the terminating carrier's end office switch (or equivalent facility) and delivery of that traffic from that switch to the called party's premises.

Collectively, these paragraphs define the *financial* responsibility of an interconnecting carrier to compensate the terminating carrier from the POI to the terminating end user. Obviously, the network on the originating carrier's side of the POI is solely the originating carrier's financial responsibility.[25] Verizon is mistaken that POI is simply a physical demarcation and the Commission should reject Verizon's attempt to diminish the FCC's concept of POI to Verizon's advantage.

Verizon's cursory treatment of recent arbitration decisions on interconnection in its Response, ignores the fact that a preponderance of states have ruled in favor of AT&T's interconnection proposal.[26]

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[25] *See* AT&T Arbitration Petition at 14-18.

[26] *See e.g.*, Michigan Public Service Commission Order, *AT&T Comm'ns of Michigan Inc and TCG Detroit's Petition for Arbitration, Case No. U-12465*, p. 9 (November 20, 2000); Decision, *Petition for Arbitration of Interconnections Rates, Terms and Conditions and Related Arrangements with Indiana Bell Telephone Company, Inc, d/b/a Ameritech Indiana Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Cause. No. 40571-INT-03, p. 27-28 (IURC Nov. 20, 2000)("Indiana Order"); Arbitration Award, *Petition for Arbitration to Establish an Interconnection Agreement Between Two AT&T subsidiaries, AT&T Comm'ns of Wisconsin, Inc. and TCG Milwaukee and Wisconsin Bell, Inc., (d/b/a Ameritech Wisconsin)* at 37, 05-MA-120 (Oct. 12, 2000); Order Addressing and Affirming Arbitrator's Decision, *In matter of the Petition of TCG Kansas City, Inc. for Compulsory Arbitration of Unresolved Issues with Southwestern Bell Telephone Company Pursuant to Section 252 of the Telecommunications Act of 1996*, p. 9 (Aug. 7, 2000); Opinion, *Application of AT&T Communications of California, Inc. (U5002 C), et al., for Arbitration of an Interconnection Agreement with Pacific Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996*, No. 00-01-022, p. 13 (CA PUC Aug. 3, 2000).

Verizon's assertion that the decision by the North Carolina Commission provides any legitimate persuasive authority in this arbitration is without merit. Verizon offers a wholly different interconnection arrangement than the one BellSouth offered in North Carolina and South Carolina (the two state arbitrations cited by Verizon in its Response at 9-12). BellSouth merely asked those state commissions to limit its obligation to pay for transport of its originating traffic to the BellSouth basic local calling area. Verizon, however, takes the extreme step of asking this Commission to relieve it from paying for *any* transport beyond its own end office when any one of a number of conditions is met. Therefore, Verizon is asking for far more than even the unwise North Carolina and South Carolina decisions allow[27]. No applicable federal or state precedent supports the extreme interconnection approach advanced by Verizon in this arbitration and AT&T urges the Commission to reject Verizon's contract language designed to implement it.

[27] By way of comparison, under the North Carolina (NC) Commission's order, AT&T would be required to pay for transport to a single POI in the Charlotte, NC metropolitan area (a single local calling area), whereas if Verizon's proposal were applied to NC, AT&T would be required to pay for transport to as many as thirty ILEC end offices comprising the Charlotte, NC metropolitan area.

ISSUE VII-4 If AT&T fails to establish an Interconnection Point in accordance with the terms of the interconnection agreement, what reciprocal compensation rates and/or inter-carrier compensation rates should Verizon pay AT&T?

ISSUE VII-5 When AT&T offers a limited number of IPs, should AT&T be permitted to charge Verizon distance-sensitive charges if Verizon purchases transport to an AT&T IP?

Verizon's Proposed § 4.2.7 to the Verizon/AT&T Agreement.

AT&T Proposed §§ 4.1.3.2, 4.1.3.4 of the Verizon/AT&T Agreement.

AT&T Reply:

The crafting of these issues by Verizon amply demonstrates how Verizon's use of the term "IP" is simply a tactic to diminish AT&T's rights under the law to interconnect to the Verizon network and its rights to obtain reciprocal compensation for transport and termination of Verizon originating traffic. In § 4.1.2 of its proposed contract draft, Verizon provides that it shall permit AT&T to interconnect at any technically feasible point on Verizon's network. However, since Verizon does not recognize the FCC's definition of the POI as the <u>financial</u> demarcation point between 1) transport and termination and 2) and the point where the originating carrier's responsibility to provide (or cause to be provided) interconnection facilities ends, Verizon is making this "right" irrelevant. Under Verizon's view of the term "IP", Verizon would have no financial obligation on its part to provide interconnection facilities between the Verizon-defined "IP" and the POI. As a practical matter, this would make AT&T's "right" to select the POI worthless.

Through these two proposals Verizon is simply transferring its transport obligations to deliver its traffic to AT&T in two different ways. Verizon's first proposal, described in its issue VII-4, is to reduce AT&T's reciprocal compensation rates if AT&T does not establish a POI at each applicable end office. Verizon proposes to pay the lesser of the End Office reciprocal compensation rate for relevant traffic or the applicable intercarrier compensation rate minus a transport "offset" equal to Verizon's monthly recurring rate for unbundled dedicated interoffice transport from Verizon's End Office to the AT&T IP.[28] In this way, Verizon wants to compensate itself for its transport costs for delivering its traffic to a POI. Verizon never explains, however, how this proposal is consistent with the Act's dictates that each carrier shall be permitted mutual and reciprocal recovery of costs relating to the termination of calls originated on another carrier's network. Verizon's proposal clearly violates AT&T's right to be compensated for such calls.

In Verizon's second proposal, set forth in its discussion of Issue VII-5, Verizon proposes yet another way to reduce its financial obligations to deliver traffic to a POI. Here Verizon proposes not to pay AT&T its full transport costs if Verizon must purchase transport to the POI. Specifically, Verizon proposes that unless AT&T provides what it considers to be an adequate number of locations for Verizon to deliver its traffic, then Verizon should not have to pay AT&T any distance-sensitive charges for transport.[29] Here again, Verizon's approach is at odds with the Act. As noted in AT&T's Petition, each Party has a financial obligation to deliver its originating traffic to the POI. This obligation includes fully compensating the other Party for any costs that party incurs to

[28] Verizon Supplemental Statement at 33-34.

deliver the other party's originating traffic.[30] Verizon proposes to ignore this obligation, a circumstance that has no basis in law or equity.

AT&T's proposal, on the other hand, provides both Parties with the right to be fully and fairly compensated for any costs incurred by it when providing transport for the other parties originating traffic. First, AT&T's proposed Contract language provides each Party the ability to control its costs by choosing to build its own transport facilities or to lease them from the other Party. Second, AT&T proposes that each Party will lease transport facilities from the other under comparable terms and conditions.

Verizon seeks an unfair advantage by insisting that it should be able to charge AT&T distance-sensitive, market-based, exchange access rates (Verizon's highest tariffed rates),[31] while, as noted above, AT&T may only charge Verizon a non-distance-sensitive rate (a rate that would be lower than the UNE dedicated transport rate). In fact, Verizon's proposal would force AT&T to provide *free* transport for much of Verizon's traffic; a proposal clearly contrary to the principle that each Party bear the financial responsibility to carry its traffic to the POI for termination. AT&T simply asks that this Commission accept an approach that allows each Party to lease transport facilities from one another under equivalent rate structures that fairly compensate the appropriate party for the costs incurred by the transporting party. AT&T suggests that UNE rates are appropriate for this purpose.

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[29] Verizon Supplemental Statement at 34.

[30] *See* AT&T Arbitration Petition at 9, footnote 18; 13-17.

[31] *See id.* at 53-56.

ISSUE VII-6 Should Verizon be forced to offer interconnection facilities and hubbing at central offices other than those intermediate hub locations identified in the NECA 4 tariff?

Verizon Proposed § 5.2.1 of the Verizon/AT&T Agreement.

AT&T Reply:

In Verizon's proposed § 5.2, relating to Trunk Group Connections and Ordering, Verizon insists that the Parties include contract language which states: "When Traffic Exchange Trunks are provisioned using a DS-3 interface facility, AT&T shall order the multiplexed DS-3 facilities to the Verizon Central Office that is designated in the NECA4 Tariff as an Intermediate Hub location, unless otherwise agreed to in writing by Verizon."[32] Verizon supports the inclusion of this language based on the fact that "not all Verizon Central Offices are Intermediate Hub locations designated for DS-3 interface facilities."[33] However, applicable law does not allow Verizon to claim that current network configurations allow it to refuse interconnection at a particular point, and thus AT&T will not agree to include this language.

AT&T's position on this issue is entirely consistent with its rights under the law. The Local Competition Order addresses this precise issue. In that Order, the FCC provides:

> [I]nterconnecting or providing access to a LEC network element may be feasible at a particular point even if such interconnection or access requires a novel use of, or some modification to, incumbent LEC equipment. This interpretation is consistent with the fact that incumbent LEC networks were not designed to accommodate third-party interconnection or use of network elements at all or

[32] Verizon Supplemental Statement at 35.

[33] *Id.*

> even most points within the network. ***If incumbent LECs were not required***, at least to some extent, ***to adapt their facilities to interconnection or use by other carriers, the purposes of sections 251(c)(2) and 251(c)(3) would often be frustrated.*** For example, Congress intended to obligate the incumbent to accommodate the new entrant's network architecture by requiring the incumbent to provide interconnection "for the facilities and equipment" of the new entrant. ***Consistent with that intent, the incumbent must accept the novel use of, and modification to, its network facilities to accommodate the interconnector*** or to provide access to unbundled elements.[34]

FCC precedent supports AT&T's position that Verizon must accept AT&T's interconnection traffic at a DS-3 level at a particular end office even if it has not traditionally accepted traffic at the DS-3 level at a particular location in the past.[35] Therefore, the Commission must reject Verizon's proposed language on legal grounds alone.

Additionally, Verizon's proposal to limit the locations where AT&T may provide a DS-3 handoff runs afoul of legitimate public policy concerns. Verizon's language could force AT&T to deploy an inefficient network architecture. In the end, Virginia's consumers would bear the increased costs. Verizon purports to encourage efficient interconnection with contract language forcing AT&T to transport its originating traffic directly to particular Verizon end offices,[36] and further, Verizon would limit such

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[34] *In re Implementation of the Local Competition Provision in the Telecommunications Act of 1996,* First Report and Order, 11 F.C.C.R. 15499 (1996) at ¶202 (emphasis added). (*"First Report and Order"*).

[35] Verizon's assertion that AT&T's refusal to limit its interconnection options is somehow wrong because it is inconsistent with its practice as an IXC is a red herring. Verizon Supplemental Statement at 35. It is well recognized that AT&T has different rights as a local exchange carrier under the Telecommunications Act of 1996, as instituted through applicable FCC and Commission action, than it does an interexchange carrier. IXC practices are not relevant to this issue.

[36] *See e.g.*, Verizon's Proposed Agreement terms at § 4.2.8.

interconnection in some cases to inefficient interconnection methods. Both aspects of Verizon's proposal constitute a clear attempt to increase its competitors' interconnection costs and must therefore be rejected by this Commission.[37]

[37] Further, while Verizon asserts that AT&T must terminate all of its originating traffic to particular Verizon end offices in its contract language, Verizon itself admits that it is not entitled to make such demands. Verizon states in its Response that CLECs may designate one POI per LATA." Verizon Supplemental Statement at 15. Clearly, any language that directs AT&T to terminate its traffic at a particular Verizon end office deprives AT&T of the right to "designate one POI per LATA". Therefore, the Commission must reject any proposed Contract language that allows Verizon to dictate the point of interconnection for AT&T's originating traffic.

ISSUE VII-7 Should AT&T deliver untranslated 8YY traffic to the appropriate Verizon access tandem?

AT&T Proposed § 6.2.5 of the Verizon/AT&T Agreement.

AT&T Reply:

In its Supplemental Statement, Verizon objects to AT&T's reference to "SSP" (Service Switching Point) in Section 6.2.5 of the Parties' interconnection agreement."[38] Its objection is based on its claim that it can only accept untranslated 8YY traffic to the appropriate Verizon access tandem.

AT&T does not perceive this issue to be a substantive matter. An SSP is a generic term for a switch that is capable of querying the industry toll free database. AT&T would agree that the "SSP" in its contract language would be limited to a Verizon access tandem. However, AT&T believes that both of these attributes (*i.e.*, an access tandem and a switch that is capable of querying the industry toll free database) should be specified in any final contract language adopted by the Commission. Accordingly, in an effort to resolve this matter as an issue, AT&T proposes to alter its contractual language at 6.2.5 as follows:

The Untranslated 8YY Access Toll Connecting Trunks will be established by AT&T as a one-way trunk to enable AT&T to deliver untranslated 8YY traffic to Verizon's access tandem that is capable of querying the industry toll free database.

This language should adequately address Verizon's concerns on this issue.

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[38] Verizon Supplemental Statement at 36.

INTERCARRIER COMPENSATION

Issue VII-8 Should AT&T be permitted to pay the end office rate for delivery to Verizon's tandem, and thereby avoid paying its fair share of transport costs by failing to pay that tandem rate?

AT&T Proposed Attachment 2, § 5.7.2.1; Part IV of the Verizon/AT&T Agreement.

AT&T Reply:

AT&T is entitled to receive varying reciprocal compensation based upon where it delivers the traffic, corresponding directly with the type of trunk utilized. Traffic delivered via an end office trunk, by definition, connects an AT&T switch to a Verizon end office—not to a tandem—switch. Accordingly, traffic delivered via an end office trunk should receive the end office rate. Likewise, a tandem trunk connects an AT&T switch to a Verizon tandem switch—not to an end office switch. Thus, traffic delivered via a tandem trunk should receive the tandem rate.

Verizon seeks to confuse this issue by suggesting that AT&T is seeking to deliver traffic to Verizon's tandem switches via end office trunking in order to pay Verizon a lower reciprocal compensation rate than that to which it is entitled. AT&T's proposed language is designed only to clarify the common understanding regarding the reciprocal compensation arrangements in place.

ISSUE VII-9 Should reciprocal compensation apply to special access, private line, or any other traffic that is not switched by the terminating party?

Proposed § 5.7.6.1 of the Verizon/AT&T Agreement.

AT&T Reply:

AT&T does not object to Verizon's proposal to include the following language in the Parties' interconnection agreement: "No Reciprocal Compensation shall apply to special access, private line, or any other traffic that is not switched by the terminating Party."

ISSUE VII-10 Should Verizon be permitted sufficient time to provision to AT&T loops provided via Integrated Digital Loop Carrier?

Proposed § 11.7.6 of the Verizon/AT&T Agreement.

AT&T Reply:

Verizon's suggestion that AT&T must resort to the Network Element Bona Fide Request ("BFR") process to obtain a loop that is served using Integrated Digital Loop Carrier ("IDLC") (and for which no spare copper facilities are available) is unacceptable. The BFR process is slow, cumbersome and expensive for the CLEC. It is designed essentially for the provision of UNEs where one-of-a-kind work is involved or infrequent adjustment to existing routine process is needed—in other words, where circumstances are out of the ordinary.

The provisioning of loops using IDLC is neither new nor unusual in Verizon's network. It is highly likely that more than a trivial proportion of the Verizon loops are currently served by IDLC, that is, loops where one end of the multiplexing function is integrated into the local switch upon which the loop terminates.

The very presence of the technology is a barrier to a CLEC seeking to serve customers by using UNE-L. Consequently, Verizon should have in place a standardized process to quickly, reliably and inexpensively address a CLEC's order for a loop where that loop is currently provisioned using IDSL and where no spare copper facilities are available. The standardized process that should be – but apparently is not – in place should identify such loops in the loop qualification process that precedes a Firm Order Confirmation ("FOC") for the CLEC's order for the loop. Verizon should not be returning a FOC for a loop served by IDLC only to subsequently, after a customer commitment has been made, unilaterally re-start the provisioning clock with a much longer interval because Verizon subsequently "found" that no copper was available or that it was unwilling to re-arrange the loop to UDLC.

The problem with the Verizon position is that it is entirely open ended with respect to both time commitments and costs. Certainty is required for CLECs to develop products to serve customers that use integrated digital loop carrier. The CLEC should be able to know when it places an order for UNE-L what the provisioning interval will be, so that the CLEC can confidently commit to its customer. Of course, this should not result in a "least common denominator" solution where the absolutely longest interval is always quoted. Verizon cannot be permitted to further leverage it already substantial competitive advantage of having loops integrated with it switches so that virtually instantaneous provisioning may occur.

Verizon's suggested process creates deep uncertainty and substantial delay for the CLEC and the CLEC's customers. First, under Verizon's loop provisioning scenario a CLEC will not know until three business days after the order is placed whether the loop can actually be provisioned in the ordinary course of business, under standard provisioning intervals. This could be as much as five calendar days if a weekend intervenes. That means that the CLEC is essentially unable to make any commitment to its customer about when service will be implemented for at least 3-5 calendar days. Second, if the ordered loop is IDLC and no spare copper is available, the CLEC is thrown into the BFR process, in which case there is no way to know when, if ever, the loop will be provisioned. Verizon specifically demands that standard provisioning intervals "shall not apply." At that point the customer might well be inclined to give up on the CLEC and order its services from Verizon – which, if the loop is on IDLC, could likely have service up and working while the customer was still on the line with Verizon.

ISSUE VII-11 Should AT&T be permitted to require Verizon to follow various AT&T ordering requirements for the provision of Verizon's combined UNEs?

AT&T's Proposed §§ 11.12.1.1 – 11.12.1.3 of the Verizon/AT&T Agreement.

AT&T Reply:

This issue is simply a restatement of Issue III-7.B (Must Verizon implement an ordering process that enables AT&T to place a bulk order for the conversion of services to UNEs or UNE Combinations?).

Verizon's insistence on its so-called standard industry ordering processes for this essentially one-time event speaks more to Verizon's desire to slow down the conversion process from special access to UNE Combinations than to any desire for efficiency. Verizon should be required to provide the conversion of special access to UNE configurations on a bulk basis because the pent-up demand for such conversion is largely a result of Verizon's own intransigence. In the ordinary course of business, once use restrictions are lifted and conversions are permitted, AT&T will not order special access when it can order UNEs or UNE combinations to provide any telecommunications service.[39] Verizon, however, has no interest in expediting special access reconfigurations, because the longer the facilities and equipment continue to be billed at special access rates instead of UNE rates, the greater Verizon's unearned windfall.

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[39] There may be some instances where AT&T may be forced to use special access in lieu of UNEs or UNE combinations on an interim basis, in order to serve its customers in a timely manner. This may occur, for example, if Verizon cannot provide the requisite UNEs or UNE combinations. Therefore, conversions of services to UNEs that employs a bulk order process should not be limited to only an initial conversion window.

Thus, Verizon has insisted upon an inefficient conversion process that requires AT&T to submit individual orders for each separate line being converted. AT&T wishes to expedite the conversion process from special access services to UNE combinations and to minimize the burden on both AT&T and Verizon. There are hundreds of these types of conversions pending. For this reason, AT&T proposes to consolidate all conversion orders into one "project" order that would be worked in a coordinated manner with Verizon. The Commission should require Verizon to implement such a coordinated process.

In all events and regardless of the process adopted for conversion, UNE pricing should be retroactively applied to the date when the conversion was requested, rather than to the date when Verizon ultimately completes the order. This will ensure that Verizon has the incentive to seek a more efficient way to effectuate the conversions.